

Message Text

CONFIDENTIAL

PAGE 01 LIMA 03640 210129Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 TRSE-00 SP-02 L-03 IO-13 SS-15

NSC-05 PRS-01 CIAE-00 INR-07 NSAE-00 INT-05 COME-00

SSO-00 NSCE-00 INRE-00 /069 W
----- 023119

O 210010Z APR 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC NIACT IMMEDIATE 9828

USUN NEW YORK NIACT IMMEDIATE

C O N F I D E N T I A L LIMA 3640

SECSTATE FOR ARA ASSISTANT SECY ROGERS,
EB - RICHARD SMITH, TREASURY - BUSHNELL,

S/P LORD, L - LEIGH

USUN FOR UNDERSECRETARY MAW

E.O. 11652: GDS

TAGS: EFIN, EMIN, PFOR, PE

SUBJECT: FINAL MARCONA ROUND BEGINS

1. SUMMARY. ALTHOUGH NO APPARENTLY INSOLUBLE PROBLEMS AROSE, OPENING DISCUSSIONS REVEALED NUMEROUS DIFFERENCES OF UNDERSTANDING AND APPROACH, PLUS GOP DESIRE TO HAVE COUNCIL OF MINISTERS APPROVE FINAL PACKAGE, LEADING TO DELAY IN SIGNING UNTIL AT LEAST WEDNESDAY APRIL 28. WE HOPE TO IDENTIFY ALL MAJOR PROBLEMS BY TOMORROW EVENING AND RECOMMEND BY THEN ALTERNATIVES FOR UNDERSECRETARY MAW'S TRAVEL, WHICH MAY STILL BE NECESSARY AS CURRENTLY SCHEDULED TO MAINTAIN MOMENTUM AND BREAK POSSIBLE LOG JAMS. END SUMMARY.

2. US TEAM MET WITH PERUVIAN COMMISSION HEADED BY AMBASSADOR DE LA PUENTE FOR NEARLY TWO HOURS TUESDAY MORNING, THEN JOINED WITH MARCONA REPRESENTATIVES TO DISCUSS FREIGHT CONTRACTS WITH GOP SHIPPING CONCERN (CPV). FURTHER COMMISSION MEETING SCHEDULED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 03640 210129Z

WEDNESDAY MORNING TO BE FOLLOWED IN AFTERNOON BY US TEAM AND MARCONA

MEETING TO DISCUSS ORE CONTRACT WITH GOP ORE SALES CONCERN (MINPECO). ATMOSPHERE SO FAR CORDIAL AND BUSINESSLIKE, COVERING HARD BARGAINING FOLLOWING JUST SHORT OF REOPENING IN PRINCIPLE AGREEMENT, THOUGH OCCASIONALLY STRETCHING INTERPRETATION OF INDIVIDUAL ELEMENTS OF PACKAGE.

3. MAJOR CONCERNS TO HAVE SURFACED THUS FAR AS FOLLOWS:

--THE QUESTION OF TIMING APPARENTLY TURNS LEARGELY ON THE UNWILLINGNESS OF GOP FUNCTIONARIES INVOLVED TO ACT WITHOUT EXPLICIT AUTHORIZATION OF DECREE LAW RATIFYING SETTLEMENT. THIS IN TURN REQUIRES APPROVAL OF ENTIRE PACKAGE BY FULL CABINET. SIGNING WOULD TAKE PLACE NEXT DAY. DE LA PUENTE ALSO INFORMS US THAT REGULAR CABINET SESSION APRIL 27, MAY NOT TAKE PLACE UNTIL MAY 4 BECAUSE OF SCHEDULED MINISTERIAL TRAVEL. WE STRONGLY RESISTED DELAY UNTIL MAY 5, AND DE LA PUENTE HAS AGREED TO INFORM US SHORTLY ON WHETHER CABINET

CAN MEET APRIL 27. WE BELIEVE THAT CABINET REVIEW IS NOW A FOREGONE NECESSITY, (AS IT WAS WITH GREENE AGREEMENT) THOUGH WE HAVE SUGGESTED POSSIBILITY THAT THIS COULD TAKE PLACE AT EXTRAORDINARY SESSION.

-- THE INTERGOVERNMENTAL AGREEMENT AS WE PROPOSED IT SEEMS GENERALLY ACCEPTABLE EXCEPT FOR EXPLICITNESS WITH WHICH CONTRACTS FOR FREIGHT AND ORE SALES ARE INCORPORATED. THIS POINT RAISED MAJOR DIFFICULTIES, HOWEVER, AS WE WANT SUCH REFERENCE TO IMPLY THE CONTRACTS ARE AN INTEGRAL PART OF THE COMPENSATION, WHEREAS PERUVIANS DO NOT. FURTHER DRAFT EXCHANGE SCHEDULED FOR TOMORROW.

--PERUVIAN COMMISSION SUGGESTED IT BELIEVED THE \$3.6 MILLION DEBT FROM MARCONA INTERNATIONAL TO MARCONA MINING SHOULD BE SUBTRACTED

FROM THE \$33 MILLION CASH, ARGUING THAT THIS INTERCOMPANY ITEM REPRESENTED REAL CASH AND HAD BEEN IMPLICITLY INCLUDED IN GOP OFFER. NOT INCIDENTALLY, WE SUSPECT, THIS DEDUCTION WOULD ENABLE PERU TO CLAIM DOMESTICALLY IT WAS PAYING ONLY \$29.4 MILLION. WE STATED EMPHATICALLY THAT THIS HAD NOT BEEN MR. MAW'S UNDERSTANDING. THIS DISAGREEMENT WAS LEFT HANGING.

--THE CONTRACTS ALSO PROMISE CONSIDERABLE DIFFICULTIES, ALTHOUGH WE WILL NOT BE IN A POSITION TO EVALUATE THEM BEFORE TOMORROW

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 03640 210129Z

EVENING. AS OF NOW, IT APPEARS MAJOR DIFFICULTY IS THAT GOP WISHES TO NEGOTIATE THESE CONTRACTS ON A PURELY COMMERCIAL BASIS, MINIMIZING IN SO FAR AS POSSIBLE THE ELEMENT OF COMPENSATION THEY GRUDGINGLY RECOGNIZE MUST BE CONTAINED IN THEM FOR MARCONA.

--FINALLY, GOP REPEATED REQUEST THAT MARCONA PRESENT TAX CASES FORMALLY TO TAX AUTHORITIES, AND WE HAVE AGREED THAT BRADFIELD WILL PRESENT HIMSELF IN MORNING ACCOMPANIED BY USG

REPRESENTATIVE TO DETERMINE PRECISELY WHAT IS REQUIRED.

4. INTERESTINGLY, WE NOTE NO EAGERNESS TO HAVE UNDERSECRETARY MAW RETURN IMMEDIATELY. AT ONE POINT, DE LA PUENTE SUGGESTED MAW MIGHT RETURN IN TIME FOR THE ACTUAL SIGNING ONCE THAT IS SETTLED. WE HAVE NOT ENCOURAGED THIS PROSPECT, WHERE IMPLICATIONS ARE NOT IMMEDIATELY CLEAR.

5. COMMENT. IN RETROSPECT, PERUVIAN APPROACH SUGGESTS ROLLERCOASTER TACTICS ALL TOO FAMILIAR OVER PAST SEVERAL MONTHS, PERHAPS STIMULATED BY CONCERN THAT IN PRINCIPLE OFFER WAS OVERLY GENEROUS. WE CERTAINLY DETECT SIGNS OF THIS IN DESIRE TO DELAY MR. MAW'S RETURN UNTIL ACTUAL SIGNING, WHICH WE INFER AS AN EFFORT TO GAIN TIME TO MAKE GREATEST INROADS POSSIBLE. WE DO NOT, ON THE OTHER HAND, FIND SIGNS OF A DESIRE TO IMPERIL SETTLEMENT. WE SHOULD HAVE A BETTER SENSE OF RANGE OF GENUINE DIFFICULTIES AFTER WEDNESDAY'S SESSIONS AND WILL REPORT IMMEDIATELY.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, NEGOTIATIONS, CONTRACTS, MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA03640
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760150-0116
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760440/aaaabhhy.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by ShawDG>; APPROVED <15 SEP 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINAL MARCONA ROUND BEGINS
TAGS: EFIN, EMIN, PFOR, PE, MARCONA
To: STATE USUN NEW YORK
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006